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August 1, 2006

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HAND DELIVERED

The Honorable Charles L. A. Terreni
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RECEIVED
AUG 9 1 2006
DOCKETING DEPT.
SC PUBLIC SERVICE
COMMISSION
2006 AUG -1 AM 11:26
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RE: Docket No. 2006-37-C
Petition of ORS for a Rule-Making Proceeding to Examine the
Requirements of Standards to be used by the Commission when
Evaluating Applications for ETC Status and when making Annual
Certification of ETC Compliance to the FCC

Dear Mr. Terreni:

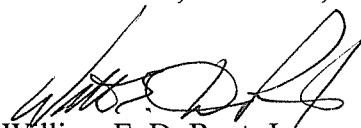
Please find enclosed herein for filing original and one copy of Comments of Farmers
Telephone Cooperative, Inc. in response to the Office of Regulatory Staff's Petition in
the above referenced matter.

By copy of this letter, I am serving all parties of record with a copy of the Comments as
indicated on the attached Certificate of Service.

With kindest regards, I am

Sincerely yours,

SCHWARTZ, McLEOD, DuRANT & JORDAN


William E. DuRant, Jr.

WEDjr/pt

CC: Nanette S. Edwards, Esquire, Office of Regulatory Staff
Amber L. Landsman, Verizon

RETURN DATE: 8/1/06 by 4:45 OK
SERVICE: N/A

**Before the
PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

PFC 11-27
2006 AUG -1 AM 11:26
SC PUBLIC SERVICE
COMMISSION

In re:

**PETITION FOR RULEMAKING
TO DETERMINE ELIGIBLE
TELECOMMUNICATIONS
CARRIER REQUIREMENTS**

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Docket No. 2006-37-C

**COMMENTS OF
FARMERS TELEPHONE COOPERATIVE, INC.**

Farmers Telephone Cooperative, Inc., (FTC) is appreciative of the opportunity to submit these comments in the above-captioned proceeding. As a community owned rural provider of incumbent local exchange service, wireless service, and competitive local exchange service, FTC understands from first-hand experience how vital it is to maintain a successful universal service program for both the FTC community and the entire rural community throughout South Carolina. FTC understands the difficult public policy considerations which the Commission has faced in the consideration of the designation of carriers eligible to receive universal service funds.

FTC is confident that the Commission's decision in this proceeding will provide a clear path to ensure that rural communities throughout South Carolina, including those served by FTC, receive their fair share of universal service funding consistent with the distribution of funds to similar communities in other States. In order to achieve this objective, FTC recommends that the Commission adopt the standards established by the Federal Communications Commission for Eligible Telecommunications Carriers. The adoption of these standards will enable South Carolina to avail itself of Universal Service Fund benefits in the same way that other states have

benefited when they adopted standards and subsequently designated competitive Eligible Telecommunications Carriers.

I. INTRODUCTION

A. NEW FEDERAL STANDARDS FOR ELIGIBLE TELECOMMUNICATIONS CARRIERS

Pursuant to the Federal Communications Act of 1934, as amended (the Act), only Eligible Telecommunications Carriers (ETCs) are eligible to receive universal service support.¹ State commissions are directed by the Act to determine whether a carrier should be designated an ETC.² The designation of some carriers as ETCs, however, is within the jurisdiction of the FCC.³ On March 17, 2005, the Federal Communications Commission (FCC) adopted new regulations applicable to instances in which it bears responsibility for the certification of ETCs.⁴ These new guidelines include revised initial certification standards and annual reporting requirements, and are described more fully below. The FCC declined specifically to mandate that state commissions adopt the revised standards.⁵ Rather, the FCC “encourage[d] state commissions to require all ETC applicants over which they have jurisdiction to meet the same

¹ / See 47 USC 214(e)(1).

² / *Id.*

³ / These include CMRS carriers. See, i.e., *I/M/O Federal-State Joint Board on Universal Service Highland Cellular, Inc. Petition for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Virginia: Memorandum Opinion and Order*, CC Dkt. 96-45, FCC 04-37, at para. 11 (2004).

⁴ / *I/M/O Federal-State Board on Universal Service: Report and Order*, CC Dkt. No. 96-45, FCC 05-46 (Mar. 17, 2005) (“*March 2005 Order*”).

⁵ / *March 2005 Order* at para. 61.

conditions and to conduct the same public interest analysis” as the FCC prescribed for carriers over which it has jurisdiction.⁶

On January 9, 2006, the South Carolina Office of Regulatory Staff (ORS) filed a *Motion to Hold the Petition of Budget Phone, Inc., for Designation as an ETC in Abeyance* pending a Commission determination as to whether multiple ETCs for one designated area should be permitted and pending adoption of a single set of eligibility standards for ETC designation.⁷ In response to the OSR petition, the Commission issued a *Notice of Drafting* to propose new regulations governing ETC designations and opened this new docket for these considerations.

B. INTEREST OF FARMERS TELEPHONE COOPERATIVE, INC.

FTC is a rural telephone company that as a cooperative has provided telephone service to rural areas in South Carolina for more than 50 years. Through its subsidiary holding company, FTC has an interest in three affiliated companies, FTC Wireless, Farmers Long Distance, and FTC Diversified Services. FTC is uniquely qualified to address issues that affect the sustainability of the universal service fund (USF) and the level and quality of telecommunications services available to citizens of rural South Carolina. As a rural incumbent wireline carrier, FTC is sensitive to the imperative to maintain the durability and survivability of the USF. At the same time, as a wireless carrier providing competitive telecommunications services in rural areas both outside and within the service area of its incumbent wireline

⁶ / *March 2005 Order* at para. 58.

⁷ / *In re: Petition of Budget Phone, Inc. for Designation as an Eligible Telecommunications Carrier: Motion to Hold Petition in Abeyance*, SC-PSC Dkt. No. 2005-219-C (filed Jan. 9, 2006). Budget Phone filed its petition for designation as an ETC on July 20, 2005.

cooperative, FTC is also sensitive to the benefit that equitably-distributed universal service support can promise consumers in rural areas -a benefit which may be denied to certain rural consumers who would otherwise be too costly to serve. As an entity attuned to and affected by the competing interests at stake in this proceeding, FTC submits that the adoption of FCC guidelines provides a valuable and balanced viewpoint.

II. STANDARDS FOR ELIGIBLE TELECOMMUNICATIONS CARRIERS

A. SUMMARY OF FEDERAL GUIDELINES

In the *March 2005 Order*, the FCC adopted new eligibility standards and annual reporting requirements for ETCs that are not subject to state commission jurisdiction. Specifically, the FCC requires an FCC-designated ETC to: (1) provide a five-year plan demonstrating how high-cost universal service support will be used to improve coverage, service quality, or capacity in every wire center for which it seeks designation and expects to receive universal service support; (2) demonstrate its ability to remain functional in emergency situations; (3) demonstrate that it will satisfy consumer protection and service quality standards; (4) offer local usage plans comparable to those offered by the incumbent local exchange carrier in the areas for which it seeks designation; and (5) acknowledge that it may be required to provide equal access if all other ETCs in the designated service area relinquish their designations pursuant to section 214(e)(4) of the Act.⁸ The *March 2005 Order* also included annual reporting requirements for FCC-designated ETCs, including: (1) progress updates on the ETC's five-year

⁸ / *March 2005 Order* at para. 2.

service quality improvement plan;⁹ (2) detailed information on outages in the ETC's network caused by emergencies; and (3) how many requests for service from potential customers were unfulfilled for the past year and the number of complaints per 1,000 handsets or lines.

B. THE COMMISSION SHOULD ADOPT THE FEDERAL GUIDELINES

The State's ETC regulations should be matched to Federal standards in order to ensure that all South Carolina carriers obtain a fair share of equitably distributed USF. The FCC has encouraged state commissions to require all ETC applicants over which they have jurisdiction to meet the same conditions and to conduct the same public interest analysis outlined in the *March 2005 Order*. The FCC also encouraged states to conform conditions imposed previously on ETCs with the new guidelines in order to avoid duplicative or inapplicable criteria or requirements.

The FCC found that "a rigorous ETC designation process ensures that only fully qualified applicants receive designation as ETCs."¹⁰ The Federal guidelines were designed in order to "ensure designation of carriers that are financially viable, likely to remain in the market, willing and able to provide the supported services throughout the designated service area, and able to provide consumers an evolving level of universal service."¹¹ On their merits, the FCC guidelines

⁹ / The progress reports are to include: maps detailing progress towards meeting the ETC's five-year improvement plan; explanations of how much universal service support was received and how the support was used to improve service quality in each wire center for which designation was obtained; and, an explanation of why any network improvement targets have not been met. *March 2005 Order* at para. 4.

¹⁰ / *March 2005 Order* at para. 2.

¹¹ / *March 2005 Order* at para. 60. The FCC also noted that state adoption of the Federal guidelines would facilitate FCC review of petitions for redefinition of incumbent LEC service areas pursuant to section 214(e)(5) of the Act. *Id.*

ensure that USF is distributed only to qualified carriers. FTC submits that adoption of these Federal guidelines and application of them to the designation requests of competitive ETCs in designated service areas will further these interests in South Carolina, and benefit the State's rural consumers.

Adoption of the Federal guidelines will enable consumers in rural areas of South Carolina to benefit from the USF in the same way that other states have benefited when they adopted similar standards and designated competitive ETCs. There exist potential rural consumers who are geographically situated in a manner which makes their access to wireless service problematical without USF support. As an ETC with USF support, rural carriers in South Carolina could provide service to those potential consumers who will otherwise be deprived of wireless service.

For example, in areas currently served by FTC Wireless, variances in signal strength may occur due to heavy foliage or other structural barriers. High-cost support would enable FTC Wireless to deploy needed signal enhancing technology and other network upgrades in rural areas where, in the absence of universal service fund support, the necessary investment cannot otherwise be recovered.

As an incumbent provider of local exchange service, FTC is very well familiar with the rules and regulations that govern and determine the universal service funding available to a rural incumbent carrier. FTC submits that a standard comprehensive set of criteria and guidelines to which competitive ETCs must adhere will provide similar predictable and consistent assurance that USF is distributed equitably to all carriers properly committed to providing the services supported by the USF. An equitable approach with clear established guidelines will benefit rural

South Carolina consumers and the carriers upon which they rely. The utilization of the Federal standards in South Carolina would foster equitable distribution of USF across the states,¹² ensure at the local level that USF support is targeted to eligible carriers and the consumers that they serve, and help South Carolina consumers receive their fair share of the benefits of universal service funds that are currently distributed to competitive ETCs in other states.

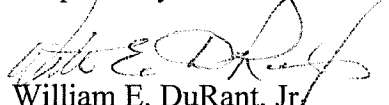
III. CONCLUSION

For the reasons stated herein, FTC urges the Commission to adopt the Federal ETC guidelines in order to benefit South Carolina consumers. The existing FCC policies regarding USF require that a careful balance be maintained when a State Commission considers the designation of additional ETCs within a service area. The utilization of these guidelines will provide the Commission with an equitable framework to determine when the public interest will be served by the designation of an additional ETC within any specific service area. Accordingly, the adoption of the FCC guidelines will enable the Commission to ensure proper and equitable distribution of USF to all eligible carriers in the State, and to enable South Carolina to enjoy the

¹² / Inasmuch as universal service contemplates both National and state policies, the Commission's adoption of the Federal standards would also assist perpetuation of rational policies on a National scale. The implementation of a comprehensive set of Federal standards utilized by other states bolsters predictability for the overall USF. FTC recognizes that South Carolina's adoption of Federal standards does not ensure that other states will adopt the Federal standards. FTC submits, however, that each individual state's adoption of the Federal standards effects a change in the general conditions of the USF, and that the collective effect of more, rather than fewer, states adopting the Federal standard benefits the long-term sustainability and behavior of the National system by applying like standards to implementation of Nationally-applied programs.

use of the USF in the same way that other states have benefited when they adopted standards and designated competitive ETCs.

Respectfully submitted



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Communications Advisory Counsel
2154 Wisconsin Avenue N.W.
Washington, D.C. 20007

August 1, 2006

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PUBLIC SERVICE COMMISSION OF
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In re:

**PETITION FOR RULEMAKING
TO DETERMINE ELIGIBLE
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Docket No. 2006-37-C

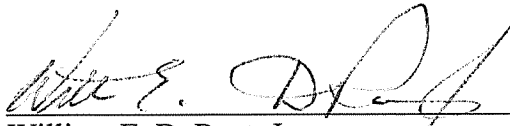
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SC PUBLIC SERVICE
COMMISSION

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this 1st day of August, 2006, one (1) copy of COMMENTS OF FARMERS TELEPHONE COOPERATIVE, INC. to the Petition of ORS in the above referenced docket by depositing a copy of the same in the United States Postal Service, first class postage prepaid to the following Parties of Record:

Nanette S. Edwards, Esquire
Office of Regulatory Staff
Post Office Box 11263
Columbia, SC 29211

Amber L. Landsman
Verizon
1301 Gervais Street, Suite 825
Columbia, SC 29201



William E. DuRant, Jr.

August 1, 2006
Sumter, South Carolina